

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE No. 2 ON EDUCATION FINANCE

ASSEMBLYMEMBER KEVIN McCARTY, CHAIR

TUESDAY, MARCH 2, 2021

9:00 A.M. – STATE CAPITOL, ROOM 437

*Due to the ongoing COVID-19 safety considerations, including guidance on physical distancing, seating for this hearing will be very limited for the press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.*

*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub2@asm.ca.gov](mailto:BudgetSub2@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: 877-692-8957, Access Code: 131 54 37.*

### INFORMATIONAL HEARING EARLY CHILDHOOD EDUCATION OVERSIGHT & GOVERNOR'S BUDGET PROPOSALS

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
<b>6100</b>	<b>CALIFORNIA DEPARTMENT OF EDUCATION</b>	
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I. Opening Remarks

- Assemblymember Kevin McCarty, Chair
- Committee Members

II. Items to Be Heard: 6100 California Department of Education

- Issue One: Master Plan for Early Learning and Care
- Issue Two: Pandemic Response, 2020-21 Budget Act Oversight, and Early 2021 Budget Action Review
- Issue Three: Governor's January Budget ECE Proposals
- Issue Four: Early Childhood Education & Care Stakeholder Recommendations
- Issue Five: Transitioning Chair Care Update

III. Public Comment

## ITEMS TO BE HEARD

### 6100 CALIFORNIA DEPARTMENT OF EDUCATION

#### OVERVIEW

The 2019-20 and 2020-21 Budget Acts contained major policy and funding changes for the Early Childhood Education and Care (ECE) system. This hearing will cover the major prior year adjustments, the Governor's Budget proposals, and stakeholder recommendations for the ECE system.

#### ISSUE 1: CALIFORNIA MASTER PLAN FOR EARLY LEARNING AND CARE

#### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Kris Perry, Deputy Secretary and Senior Advisor to the Governor at California Health and Human Services Agency (CHHS)
- Janelle Kubinec, Chief Administrative Officer, WestEd
- Sara Cortez, Legislative Analyst's Office (LAO)

#### BACKGROUND

The 2019-20 Budget Act provided \$5 million in one-time non-Proposition 98 General Fund to the Department of Health and Human Services conduct research and develop a Master Plan for Early Learning and Care. The intent of the Legislature, in creating this Master Plan, was to build on the Assembly's Blue Ribbon Commission recommendations, and the various other state child care policy assets, to create a clear and actionable roadmap for the state's diverse, fragile, and byzantine Early Childhood Education and Care (ECE) system, with a focus on two key priorities: early childhood development and support for working families. The further direction of the Legislature was to procure key research documents to support Master Plan development and baseline data and policy information for informing Master Plan implementation.

**Master Plan for Early Learning and Care.** In November 2019, the CHHS engaged a team of researchers led by WestEd to develop the Master Plan and address five interrelated substantive issue areas within California's early learning and care system: access, quality, universal preschool, facilities, and financing. The Master Plan was eventually submitted on December 1, 2020. In addition to WestEd, a number of experts and practitioners collaborated on the plan,

including the RAND Corporation, Child Trends, American Institutes of Research, Glen Price Group, the Neimand Collaborative, Low Income Investment Fund, Stanford University, and SparkPlace.

The Master Plan builds upon the past work of the Assembly Blue Ribbon Commission and offers a roadmap for building a comprehensive, equitable early learning and care system over the next decade. Specifically, it indicates that ‘the Master Plan is a framework with which to realize the vision of ensuring that all California children thrive physically, emotionally, and educationally in their early years, through access to high-quality early learning and care resources; equitable outcomes for children; and greater efficiencies to the state today and every day through structures for continuous improvement.’”

To achieve this vision by 2030, the Master Plan focuses on four key objectives:

- *Improve the life outcomes of infants and toddlers by providing comprehensive early learning and care.*
- *Ensure that all families can easily identify and access a variety of quality early learning and care choices that fit the diverse needs of their children, their financial resources, and workday and nonstandard schedules.*
- *Promote school readiness through preschool for all three-year old children experiencing poverty and universally for all four-year old children.*
- *Advance better outcomes for all children by growing the quality, size, and stability of the early learning and care workforce through improved and accessible career pathways, competency-based professional development supports, and greater funding.*

Master Plan Goals and Recommendations. To achieve these objectives, the Master Plan identified four policy goals that set high standards, create cohesion, fill gaps, and foster sustainability:

- *Unify programs to improve access and equity. Streamline requirements for birth through age three programs, providing access to care and learning for all three-year olds experiencing poverty, and providing universal preschool access to all four-year olds.*
- *Support children’s learning and development by enhancing educator competencies, incentivizing, and funding career pathways, and implementing supportive program standards. Enhance standards and provide affordable and accessible pathways for the entire workforce to advance in their competency and compensation.*
- *Unify funding to advance equity and opportunity. Adopt a reimbursement and rate model that brings all types of care and learning support into one structure that acknowledges costs associated with quality, including characteristics of children and competencies of the workforce.*

- *Streamline early childhood governance and administration to improve equity. Design and implement data systems that support positive impacts on the results and quality of care for children through sharing and integration of data that impact the ways in which families and the workforce experiencing the system.*

Specific recommendations include:

- *Unify programs for infants and toddlers under the Child Care and Development Division of the Department of Social Services to help the state assess its child development services through an equity lens focused on better and more consistent outcomes for all young children.*
- *Improve access to Paid Family Leave so more low-income families can choose to spend more time with their newborns.*
- *Provide universal preschool for all four-year olds and income-eligible three-year olds or those with disabilities.*
- *Prohibit the suspension and expulsion of any child in state-subsidized early learning and care programs so that children are not deprived of opportunities to learn.*
- *Implement funding reform to address regional cost of care differences.*
- *Support stronger training for caregivers and teachers in the early learning workforce and provide opportunities for greater compensation and career advancement.*
- *Strengthen quality standards and technical assistance to programs so that they serve all children well in culturally and linguistically responsive settings.*

The Master Plan statute (EC Section 8207) specifically required the Secretary of California Health and Human Services (CHHS), in concurrence with the executive director of the state board, and in consultation with the Superintendent, to conduct research on priority areas of study identified pursuant to subdivision (d). This work shall be compiled in a report, or series of reports, released on a continuing basis and shall be completed on or before October 1, 2020, and provided to the Governor, the chairpersons of the relevant legislative policy and budget committees, the Secretary of California Health and Human Services, the executive director of the state board, the Superintendent, and the Director of Finance.” The legislation also called out specific areas of study that the funding in the Budget Act of 2019 was provided for in Education Code Section 8207 (d) (1-5). These include 1) Fiscal Framework; 2) Early Learning and Care Facility Needs; 3) Need for Early Learning and Care; 4) Quality Improvement; and 5) Universal Pre-Kindergarten. The status of this required research is unknown.

According to CHHS staff, approximately \$1.8 million of the \$5 million appropriated for Master Plan for Early and Care contracts may be available savings.

<b>STAFF COMMENTS &amp; QUESTIONS</b>
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**Questions:**

- What are the Administration's proposed next steps to achieve the Master Plan's goals and recommendations? Is there an action plan?
- How do the Governor's January Budget proposals align with the Master Plan recommendations?
- What Master Plan recommendations to stabilize child care are necessary to consider in the near-term, because of interactions between universal TK implementation and impacts on the child care field?
- In the authorizing statute, the Legislature had some specific priorities for new research to fill knowledge gaps at the state level, related to access, facilities, and funding design. What type of research was done on these mandated areas, and what were the outcomes of the specific research?
- The Master Plan recommendations include those around aligning State Preschool and Transitional Kindergarten Standards, and moving to Universal Preschool with a combined increase in Transitional Kindergarten (TK) and State Preschool. The January budget proposal only addresses incentivizing (not fully funding) transitional kindergarten. What is the ultimate full funding recommendation in the Master Plan?
- Why does the January Budget not address TK standards alignment or state preschool?
- Did the Administration sweep the remaining \$1.8m in funds as part of the Governor's budget?
- How much funding did the state receive in federal funds for the Preschool Development Grants strategic plan requirement, to supplement the \$5m appropriation?

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**Staff Recommendation: Information Only.**

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**ISSUE 2: Pandemic Response, 2020-21 Budget Act Oversight, & Early 2021 Budget Action Review****PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Sara Cortez, Legislative Analyst's Office
- Sarah Burtner, Department of Finance
- Sarah Neville Morgan, Deputy Superintendent, Department of Education

**BACKGROUND****2020-21 ECE Budget Reductions**

**2019-20 Budget Gains Reduced.** The 2020-21 Budget Act assumed significant revenue declines would result from the COVID-19 pandemic's impact to the California economy. In order to mitigate impacts of this anticipated revenue decline on on-going ECE programs, the final Budget included major reductions to the one-time ECEs investment adopted in the 2019-20 Budget Act.

The following 2019-20 Budget Act appropriations were impacted as follows:

**California State Preschool Programs** --\$31.4 million ongoing non-Proposition 98 General Fund to annualize 2018-19 access increases, and \$124.9 million ongoing non-Proposition 98 General Fund to increase access to the State Preschool Program (CSPP) for 10,000 eligible children, through non-local educational agency providers.

- The 2020-21 Budget Act reduced the CSPP program by \$130 million one-time, and \$159 million on-going, reflecting a loss of 14,000 part-day, and 6,800 full-day slots for preschool children.

**Early Learning and Care Infrastructure Grant Program**—\$245 million one-time non-Proposition 98 general fund, plus an additional \$18 million transfer from the Child Care Facilities Revolving Loan Fund, for grants to child care and preschool providers for facilities expansions. The Budget also allows up to 5 percent of this funding to be used for renovation and repairs to address child care and preschool provider health and safety issues. This funding will be allocated over the next four years.

- The 2020-21 Budget Act eliminated funding for this program.

**Early Learning and Care Workforce Development Grant Program**—\$195 million one-time Proposition 98 funding for grants for child care and preschool workforce professional development and education to improve the quality of care and provide accessible avenues for child care professionals to move along the early education/child care professional continuum. This funding will be allocated over the next four years.

- The 2020-21 Budget Act eliminated funding for this program.

**Early Learning and Care Data Systems**—\$20 million to invest in data systems that integrate statewide provider and recipient information for the state’s subsidized early learning and care programs. These data systems will (subject to future legislation) integrate with the Longitudinal Data System discussed in the K-12 Education Chapter, and will provide the state with additional information to inform policy decisions and support the implementation of child care provider organizing.

- The 2020-21 Budget Act reduced the funding available to \$9.2 million, from one-time CCDBG quality set-aside funding.

### **Collective Bargaining Policy**

In 2019, Governor Newsom signed legislation granting collective-bargaining rights to child care providers in California allowing them to negotiate with the state over matters related to the recruitment, retention, and training of family childcare providers. CalHR is currently negotiating with Child Care Providers United - California (CCPU) to establish a Master Contract Agreement. The CCPU represents both voucher and direct contract providers that are family child care homes, or license-exempt home providers. The impact of provider representation on state budget negotiations for child care is predicted to be significant.

### **Pandemic Impacts and Response**

The COVID-19 pandemic has placed increased fiscal and emotional pressures on child care providers. The Center for the Study of Child Care Employment’s June 2020 survey of California child care providers stated that the vast majority of child care providers were serving fewer children compared to before the pandemic and 77 percent of open providers reported they experienced a loss of income from families. Providers are also reporting higher costs. Of open providers, 80 percent reported higher costs for cleaning, sanitation, and personal protective equipment. Families receiving child care also have been affected, particularly due to school and child care closures that have required families to find new child care arrangements.

The LAO has provided the following table that shows an estimate of providers that remain open, and those that are closed permanently or temporarily. This data is from the Department of Social Services’ (DSS) Community Care Licensing (CCL) and reflects both private and subsidized



providers. This would not reflect license exempt providers and is a point-in-time snapshot before the most recent pandemic surge over the winter of 2020.

<b>CCL Child Care Licenses and Closures</b>				
<i>As of October 2020</i>				
	Small Family Homes	Large Family Homes	Child Care Centers	Total
<b>Open and Operating<sup>a</sup></b>				
Facilities	12,238	10,909	9,787	32,934
Slots	97,496	151,779	532,271	781,546
<b>Temporarily Closed</b>				
Facilities	1,889	1,209	4,947	8,045
Slots	15,000	16,786	262,571	294,357
<b>Permanently Closed Since March 2020</b>				
Facilities	1,289	516	355	2,160
Slots	10,232	7,174	15,981	33,387
<p>a) Represents licenses that are not inactive or temporarily closed.</p> <p>Data Source: CCL.</p> <p>CCL = Community Care Licensing.</p>				

Source: LAO

Through both legislation and executive orders, a significant amount of pandemic-related policy and funding was approved from March 2020, to date:

SB 117 (2020) provided the Superintendent authority to hold harmless all state-subsided child care, as local shelter-in-place orders began. The California Department of Education (CDE) issued a 30-day hold harmless policy for Alternative Payment programs, regardless of closure or low-attendance beginning March 19th, from the date of closure. All California State Preschool

Program and General Child Care contractors have an emergency hold-harmless in place until the end of the fiscal year, regardless of closure or attendance.

On April 10th, the Governor announced the release of \$100 million to support childcare services. \$50 million will be used for new short-term child care vouchers for approximately 20,000 children of essential workers and other vulnerable populations. The other \$50 million will be made available to private and publicly-funded childcare centers and family childcare homes to reimburse them for costs associated with maintaining health and safety during the COVID-19 crisis, including the purchase of gloves, face coverings, cleaning supplies, and other expenses related to cleaning facilities, pursuant to public health guidelines.

On March 19, 2020, April 4, 2020, and April 7, 2020, respectively, the Governor issued Executive Orders (EO) N-33-20, EO N-45-20, and EO N-47-20, which impacted private and state supported child care during the State of Emergency:

- Require that all California residents stay at home unless they are considered “Essential Critical Infrastructure Workers” (essential workers).
- Sustain childcare subsidies for currently enrolled families.
- Provide that the eligibility requirements for children with parents who are essential workers, as defined above, and children with disabilities and special health care needs whose Individual Education Plans or Individual Family Support Plans include early childhood education services, are waived for non-CalWORKs federal and state subsidized ELC services. This action applies to the following programs: Alternative Payment Program (CAPP), California State Preschool Program (CSPP), General Child Care (CCTR), and Family Child Care Home Education Networks (CFCC).
- Waive enrollment priorities in Education Code Section 8263(b)(2) and (3), other than prioritizing income-eligible families over families that are not income eligible; and any accompanying regulations, with respect to non-CalWORKs early learning and care services provided to children of essential critical infrastructure workers and children with disabilities or special health care needs whose individualized education programs and individual family support plans include early childhood education services.
- Waive requirements to allow children enrolling in emergency care as a child at risk of abuse, neglect or exploitation to enroll without the need for a written referral from a legal, medical or social services agency.
- Require the CDE and the California Department of Social Services (CDSS) to jointly develop guidance on the order of prioritization for services, which shall include, but not be limited to, provisions intended to ensure that neglected or abused children who are recipients of child protective services, or children who are at risk of being neglected or abused, retain first priority for services as specified in EC Section 8263(b)(1).

The CDE and DSS have released numerous guidance documents to the private (licensed) and state-funded field regarding pandemic-response standards, including new public health parameters including group size, and details on emergency voucher and “pop-up” care services: <https://www.cde.ca.gov/sp/cd/re/elcdcovid19.asp>

The Administration and DSS have been working with the private sector on employer-sponsored, temporary “pop-up” child care centers, to address the child care surge needs of over 100 medical facilities.

The Executive Order also waived certain statutory and regulatory provision relating to the After School Education and Safety Program (ASES), in order to allow these programs to serve schoolage children of essential workers during the school day. The California Department of Education released further guidance, including the following:  ASES grant funds may be used to provide care to school-age children of essential workers through June 3, 2020, including during the hours school is normally in session;

The final 2020-21 Budget Act took actions to support child care programs during the pandemic. The vast majority of these actions were provided on a one-time basis and are only available during the current fiscal year. Most of these actions were funded with one-time federal funds provided through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In addition to the \$350 million in CARES Act funding specifically for child care, the state also used \$110 million from the Coronavirus Relief Fund (CRF) to support child care programs. The figure below describes the pandemic-related actions in more detail.

Pandemic-Related Child Care Actions		
<i>Dollars in Millions</i>		
<b>Policy</b>	<b>Description</b>	<b>Total</b>
Alternative Payment Voucher Slots for Essential Workers	Provided \$50 million one time in 2019-20 to provide temporary vouches and \$47 million ongoing federal funds in 2020-21 to transition families to permanent vouchers. Provided an additional \$138 million on a one-time basis for 2020-21.	\$235
Voucher Reimbursement Flexibility	In 2020-21, voucher-provider payments are based on a child’s authorized hours of care instead of the amount of care used. This holds voucher providers harmless if a child temporarily does not attend child care.	\$63

Family Fees	From April 2020 through August 2020, the state temporarily waived family fees for those receiving subsidized care. From September 2020 through June 2021, the state has waived family fees for families not receiving in-person care.	\$62
Cleaning Supplies and Protective Equipment	The state provided funds for gloves, face coverings, cleaning supplies, and labor costs associated with cleaning child care facilities.	\$50
Voucher Paid Operation Days	Provides an additional 14 paid non-operation days. Funds used so child can attend another provider while the original provider is closed.	\$40
School-Aged Care	Funds were to cover the additional cost of providing care to school-aged children. During the school year, school-aged children would typically receive care before and/or after school. As schools in most of the state remain closed, many school-aged children participating in distance learning also are receiving care from a child care provider during the school day.	\$38
Voucher Stipends	Stipends to voucher providers based on the number of subsidized children enrolled.	\$31
Direct Contract Reimbursement Flexibility	Direct contract providers were provided reimbursement flexibility in 2020-21. To receive this flexibility, providers must have opened to begin the school year or have been closed due to local or state public health guidance. Providers also must provide distance learning services to children enrolled in its programs and submit a distance learning plan to the California CDE. For providers that meet these conditions, reimbursement will be the lesser of their contract amount or program costs. Typically, provider reimbursement is also generally based on the attendance of eligible children. .	\$0
Attendance Record Requirements	Trailer legislation allows voucher providers to submit attendance records during 2020-21 without a parent signature if the parent is unable to sign due to the COVID-19 pandemic. Typically, providers are required to submit attendance records with a parent signature to receive reimbursement.	\$0

<b>Total</b>		<b>\$518m</b>
CDE = California Department of Education and COVID-19 = coronavirus disease 2019. Note: Does not include AB 82 provisions		

With the recent passage of H.R. 133 in December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, the state has received an additional \$964 million in supplemental Child Care and Development Block Grant (CCDBG) funds. This additional funding can be used for most of the priorities outlined in the 2020-21 budget package, as well as any other child care purposes related to the COVID-19 emergency. Funds will be available for appropriation in the current and budget year.

SB 820 (Committee on Budget and Fiscal Review) Chapter 110, Statutes of 2020, contemplated the receipt of additional federal funds for child care during the 2020-21 fiscal year. The language included a trigger that dedicated the first \$300 million of new federal funds for the following priorities:

- Up to \$30 million for reimbursing child care providers for family fees waived for families enrolled, but not receiving in-person care, from September 1, 2020, to June 30, 2021, inclusive.
- Up to \$35 million to support alternative payment programs, including migrant alternative payment programs, to reimburse providers for providing short-term child care to eligible children when a provider is closed. (The 2020-21 budget allowed an additional 14-paid non-operational days for providers, for a total of 24 days per year. These funds would cover costs for families to receive alternate childcare during the closures)
- Up to \$100 million for alternative payment providers to extend access to child care for children of essential workers, at risk children, and other eligible children, as specified, in order of priority.
- Up to \$30 million to increase capacity for up to two years for general child care programs and state preschool programs.
- Up to \$15 million in stipends to assist child care providers with the costs of re-opening.
- Up to \$90 million in stipends to assist all subsidized child care providers with costs related to the pandemic.

**Early Budget Action to Date**

AB 82 (2021, Ting) was passed by the Legislature, and signed into law by Governor Newsom on February 23, 2021, as part of the Early Budget Action and pandemic relief package. The legislation appropriates \$512 million in federal CRF funds, and one-time CCDBG funds, in lieu of the SB 820 positive federal trigger outlined above, and ratifies the agreement between CalHR

and the Child Care Providers United - California (CCPU) to address COVID relief funding that includes:

- \$110m in CRF funds from October 2020 for the following pandemic responses:
  - \$80M was allocated to extend and expand emergency child care as well as address agency over-earnings for school age children now on Distance Learning and requiring care during school hours.
  - \$30M was allocated to pay providers the cost of lost fees while families are on Distance Learning. The Budget Act exempted families not receiving in-person care (aka Distance Learning) from any family fees.
  
- \$402m in one-time CCDBG federal relief aid, in lieu of the SB 820 positive federal trigger, that includes:
  - \$244m to fund one-time provider “pandemic relief” stipend of an equivalent to \$525 per child enrolled in a subsidized child care program will be provided to all subsidized childcare providers.
  - \$76m to extend AP vouchers for essential workers current in program.
  - \$80m to expand AP voucher access to new essential workers.
  - Authority for an additional 16 paid non-operational days for voucher-based providers applicable from September 1, 2020, through June 30, 2021, to provide up to a total of 40 paid nonoperational days in 2020-21. Eligible providers include those participating in alternative payment programs pursuant to Alternative Payment Programs, Migrant Alternative Payment, Family Child Care Home Education Networks, and Child Care under the CalWORKs Program.
  - \$1.75m and \$250K for CDE and DSS administration costs, respectively.

### LAO Comments

**Consider Actions the State Can Implement Quickly.** Given the immediate issues created by the COVID-19 emergency, the Legislature will want to prioritize actions the state can implement quickly to get support to child care providers as soon as possible. Such actions could include the following:

- **Use Existing Systems and Programs.** While there is merit to considering new ideas for supporting child care providers and families, using existing systems and programs will deliver funding to providers more quickly and make implementation easier. Creating new programs and processes takes time, as the state would have to develop regulations and/or guidance, collect relevant data, and communicate program rules to providers. The state could use existing programs and systems to avoid these delays in implementation. For example, in spring 2020, the state used Resource and Referral agencies to distribute

personal protective equipment to subsidized and nonsubsidized providers. The state could use these agencies in the future if it is interested in providing similar support.

- **Extend Existing Pandemic Actions.** Virtually all pandemic actions for child care providers were enacted by the state on a temporary basis, ending June 30, 2021. Extending these flexibilities would be administratively simple, as the guidance has already been written and implemented. Child care providers are already clear on how these actions impact their local programs.
- **Use Simple Allocation Methodology.** The state may want to allocate one-time funds by using a simple formula instead of opting for a more sophisticated approach. Although complex formulas can more effectively target funding, allocating funds can be delayed as state agencies spend time developing models and collecting the appropriate data. For example, calculating stipends to providers based on a percent of their total contract would be simpler and quicker than temporarily increasing rates based on the regional market rate survey.

**Consider Spreading Funds Across the Current and Budget Year.** Given the one-time nature of the General Fund and federal funds being provided, spreading funding over several fiscal years ensures the state can sustain the temporary support for a longer time period. For lump sum payments, such as stipends, spreading the funds over several years also gives providers more flexibility for spending the funds. However, the Legislature will want to ensure it fully expends federal funds during the allowable time period.

**Consider Modifying Flexibilities to Ease Administrative Burden.** Some of the policies implemented in the current year can be modified to ease the administrative burden for the state, local providers, and families. For example, family fees for September through July 2021 are waived for families not receiving in-person services or sheltering in place. Since pandemic-related child care closures and shelter-in-place requirements happen unexpectedly, this policy requires child care providers to revisit family fees throughout the month. Under typical circumstances, child care providers would only collect family fees at the beginning of the month. Waiving all family fees temporarily during the pandemic would be administratively simpler for all parties involved. We estimate this approach would have an annual cost in the high tens of millions of dollars.

**Without Ongoing Funding, Temporary Slots Will Lead to Disenrollment Down the Line.** During the pandemic, the Legislature has prioritized using one-time funds to provide temporary slots for essential workers. The Legislature may want to consider providing similar funding with the additional CCDBG funding to continue to provide subsidized child care for families. Without ongoing funding, however, families receiving temporary slots will eventually be disenrolled. Providing additional one-time funding for slots creates additional cost pressure to create ongoing slots that allow families to continue receiving child care. Although the temporary slots are intended to address temporary increases in the need for care, we would note that demand for subsidized child care from low-income families has exceeded state funding for

decades. As a result, we do not expect that demand for slots will decrease notably when the pandemic is over.

**Applying Same Flexibilities to State Preschool Will Require General Fund Spending.** During the pandemic, the state has so far provided the same flexibilities to State Preschool as it has for other child care programs. If the state wants to continue this practice in the budget year, it would likely need to fund the flexibilities with one-time General Fund. This is because State Preschool programs do not meet all of the eligibility requirements to be funded with CCDBG.

#### STAFF COMMENTS & QUESTIONS

##### Questions:

- What flexibilities/stabilizing policies from current year need to be extended into the Budget Year, and at what cost?
- What are the projected annual costs to child care for the school closures?
- How many school-based CSPP sites remain closed, impacting how many children?
- Does the LAO or CDE have data on the number and type of providers that have closed permanently or temporarily during the pandemic? And how this may impact re-opening of the state and economy?

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#### Staff Recommendation: Information Only.

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#### ISSUE 3: GOVERNOR'S JANUARY BUDGET ECE PROPOSALS

##### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Carlos Aguilera, Department of Finance
- Sara Cortez, Legislative Analyst's Office
- Sarah Neville Morgan, Deputy Superintendent, Department of Education



**BACKGROUND****Governor's January Budget Proposals**

The Governor's Budget includes the following adjustments and proposals:

- **COLA:** The proposed budget includes \$16.2 million general fund for a 1.5 percent COLA adjustment for non-CalWORKs child care, Resource & Referral agencies, and Local Planning Councils, and \$11.76 million Proposition 98 funding for a 1.5 percent COLA adjustment for school-based CSPP.
- **Access:** The proposed budget includes an increase of \$21.5 million ongoing in 2020-21 and an additional \$44 million ongoing for 4,700 additional Alternate Payment Program (AP) slots funded with Proposition 64 cannabis tax revenues. The proposed budget also provides a 1.5 percent COLA adjustment to the overall CAPP program, which increases child access by \$10.5 million in general fund. Combined sources would fund approximately 7,600 new on-going AP slots for child care services.
- **CalWORKs Child Care:** The proposed budget includes several adjustments to reflect changes in the CalWORKs child care caseload and cost of care for a net decrease of \$141 million, reflecting a \$62 million decrease in Stage 1, a \$112 million decrease in Stage 2, and a \$33 million increase in Stage 3.
- **COVID-19 Related Support:** The proposed budget includes \$55 million one-time General Fund to support child care providers' and families' needs as a result of the pandemic.

**STAFF COMMENTS & QUESTIONS**

The pandemic investments and policies funded in the 2020-21 Budget Act, SB 93, and AB 82 are one-time in nature. Budget reductions of a one-time nature eliminated the significant infrastructure gains from the 2019-20 Budget Act, that had been intended to stabilize and grow the child care system, consistent with the Master Plan. The Legislature may want to reconsider the state funding reductions in tandem with other pandemic responses to stabilize the ECE system, over a multi-year period.

**Questions:**

- Why didn't the January Budget restore the 2019-20 child care infrastructure and CSPP programs?

- Should child care programs receive the same super-COLA as LCFF, to make up for no COLA in 2020-21?
- When will the additional Proposition 64 slots in the current year be available to families? What methodology will CDE use for AP distribution?
- Why are all the Prop 64 funds recommended for AP service increases, rather than the traditional split between Center-based and voucher-based providers?
- Is the Administration anticipating current-year savings in Stage 2, based on updated caseload projections?
- Does the LAO or CDE have data on the number and type of providers will be closed permanently due to the pandemic? And how this may impact re-opening of the state and economy?

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**Staff Recommendation: Anticipate revisiting ECE package after May Revise.**

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#### **ISSUE 4: Early Childhood Education & Care Stakeholder Recommendations**

##### **PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Jessica Guerra, Child Care Alliance of Los Angeles
- Deborah Corley, Corley’s Family Child Care
- Mary Ignatius, Parent Voices
- Eric Sonnenfeld, Tulare County Office of Education
- Sarah Neville Morgan, California Department of Education

##### **BACKGROUND**

In addition to the early budget action taken in AB 82 (2021, Ting), the following additional urgent needs have been identified by the ECE field to address the pandemic’s impacts:

- Family fees waivers for all families.
- Increased reimbursement rates and related reforms, including the establishment of a “crisis factor” rate.

- Professional development funds.

The Subcommittee has received the following budget requests related to early childhood education:

**Child care access.** The budget proposal would increase the General Child Care, California State Preschool, and AP child care programs by \$500 million in on-going funding. This proposal would serve approximately 50,000 new children, out of the approximately 400,000 eligible children on local waitlists.

#### Child Care and Preschool Subsidized Slots

	2019-20 Revised	2020-21 Revised	2021-22 Proposed	Change from 2020-21	
				Amount	Percent
<b>CalWORKs Child Care</b>					
Stage 1	32,454	36,590	37,477	887	2.4%
Stage 2	55,054	55,484	45,231	-10,253	-18.5%
Stage 3	59,290	66,073	68,939	2,866	4.3%
<b>Subtotals</b>	<b>(146,799)</b>	<b>(158,147)</b>	<b>(151,647)</b>	<b>-(6,500)</b>	<b>-(4.1%)</b>
<b>Non-CalWORKs Programs</b>					
Alternative Payment Program	54,340	78,749	63,185	-15,563	-19.8%
General Child Care	32,190	32,190	32,191	1	0.0%
Migrant Child Care	3,018	3,018	3,018	0	0.0%
Care for Children with Severe Disabilities	102	102	102	0	0.0%
<b>Subtotals</b>	<b>(89,650)</b>	<b>(114,059)</b>	<b>(98,496)</b>	<b>-(15,562)</b>	<b>-(13.6%)</b>
<b>Preschool Programs</b>					
State Preschool— part day	124,525	110,469	110,469	0	0.0%

State Preschool— full day	60,752	53,894	53,894	0	0.0%
Transitional Kindergarten	90,188	89,701	89,216	-484	-0.5%
<b>Subtotals</b>	<b>(275,465)</b>	<b>(254,064)</b>	<b>(253,579)</b>	<b>-(484)</b>	<b>-(0.2%)</b>
<b>Totals</b>	<b>511,914</b>	<b>526,269</b>	<b>503,723</b>	<b>-22,547</b>	<b>-4.3%</b>

Source: LAO

As the chart above reflects, despite recent investments in increasing child care access, overall and ongoing access rates would decrease in the January Budget. This is due to a lack of new on-going state and federal investments in child care programs compared to the significant one-time federal funds for essential worker access, and the decreased caseload projects for CalWORKS child care programs.

**Reimbursement Rate Reform.** The budget proposal would establish a single regionalized state reimbursement rate system for subsidized child care and preschool. Currently, the state has two different reimbursement rate systems for early education providers, the Standard Reimbursement Rate (SRR) and the Regional Market Rate (RMR). These rate systems are not aligned and have resulted in inequities in funding across the state. The proposal would create one reimbursement rate system based on the cost of providing care in different settings, recognizing regional cost differences and providing incentives for increased quality. The estimated cost of this proposal is between \$550 million to \$750 million and would be funded over eight years. The budget year request is \$380 million, to modernize the RMR and begin incremental funding for the new single rate system.

**Family Fees.** This proposal would waive all family fees for state-subsidized child care programs through the budget year, at a cost of \$133 million.

**Professional Development.** This proposal would restore \$250 million to the Professional Development Block Grant.

**ECE Facilities.** One proposal would restore \$350 million to the Facilities Block Grant. A separate proposal would add \$100 million to the Full Day Kindergarten facilities program, as approved in the 2019-20 Budget Act.

**MyChildCarePlan.org.** This proposal would allocate \$1.5 ongoing federal CCDBG funds to finish the development of the state's child care resource and referral website, and make the website's services available to parents and child care providers across the state.

**Technology Updates.** The budget proposal would allocate \$31 million in one-time funding to implement technology that will allow for child care agencies to use digital signatures for parents, store documents electronically, and update IT systems.

**Child Nutrition.** The budget proposal requests a total of \$16.6 million (\$14.6 million General Fund and \$2 million Proposition 98 funding) to provide a state reimbursement rate of 23 cents per meal for child care and preschool programs serving low-income children and participating in the Child Care Food Program.

#### STAFF COMMENTS & QUESTIONS

##### Questions:

- What are the top three priorities for limited on-going funding for child care?
- What are the top three priorities for significant one-time funding that could support multi-year child care infrastructure?
- What would happen if the state does not make progress on reimbursement rate reform this Budget Year, and the RMR and SRR remain as is?
- What is the significance of a “crisis” factor for funding rates, vs the pandemic stipends provided to date?
- What was the outcome of the lost facilities and professional development block grants, to the ECE Field?
- How would the technology and MyChildCarePlan.org investments reduce administrative costs for local agencies, long-term?

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**Staff Recommendation: Anticipate revisiting ECE package after May Revise to reflect Assembly priorities.**

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#### ISSUE 5: Transitioning Child Care Update

##### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Kim Johnson, Department of Social Services
- Salena Chow, Department of Social Services

- Sarah Neville Morgan, Department of Education
- Leisa Maestretti, Department of Education
- Sara Cortez, Legislative Analyst's Office

## BACKGROUND

The 2020-21 Budget Act Education Trailer Bill, SB 98, contained the Early Childhood Development Act of 2020, which authorized the transfer of child care and development programs currently administered by the CDE (with the exception of CSPP) to the Department of Social Services (DSS) effective July 1, 2021. Having all child care programs administered within one agency is intended to allow for greater collaboration, including improved eligibility processes, across the various departments and programs in supporting the needs of young children and their families. Further, data from child care and development programs would be folded into the agency's overall data integration efforts. SB 98 also established the position of Deputy Director of Child Development within DSS, to be appointed by the Governor and confirmed by the Senate. The 2020-21 budget provided DSS with \$2 million one-time General Fund to plan for the transition.

Under current law, the California Department of Social Services (DSS) administers California Work Opportunity and Responsibility to Kids (CalWORKs) Stage 1 child care and the bridge program for foster children, while CDE administers all other child care and preschool programs such as CalWORKs Stage 2 and Stage 3 child care, AP, and General Child Care (GCC), and the California State Preschool Program (CSPP). Both departments work with a variety of local entities to provide services.

DSS maintains a Child Care Transition webpage where it publishes quarterly reports on the Child Care transition (<https://www.DSS.ca.gov/inforesources/DSS-programs/calworks-childcare/child-care-transition>). A recent January 2021 report details the significant stakeholder engagement that has occurred and plans for additional engagement, as well as information on the transfer of staff and recruitment of a new Deputy Director position. The department has been holding regular stakeholder webinars to provide information on the transfer process and topically based listening sessions. The department is also coordinating with the Early Childhood Policy Council to help inform the transition.

### **DSS Transition Plan**

The draft DSS Transition Plan was released on February 25<sup>th</sup>, and details plans and considerations underway between the two agencies. The following are excerpts from the draft Plan, on key issues:

*CDSS has been working with CDE to implement the many complex aspects of transitioning several child care and development programs and systems from CDE to CDSS in ways that will*

*allow for continuity of services, and to design systems poised to further the State’s vision of holistically serving children and their families simultaneously.*

*This Child Care Transition Plan is organized into eight sections based on goals and administrative functions required to provide for a seamless transition of the child care and development programs identified for the transfer. Within each section is a description of the overarching goals for the transition, immediate next steps, and details regarding stakeholder engagement. The sections include:*

- 1. Workforce and Logistics*
- 2. Administrative Transition – Continuity of Operations*
- 3. Programmatic Transition – Continuity of Services and Partnerships*
- 4. Continuous Planning and Engagement*
- 5. Program Integration and Enhancements*
- 6. Child and Adult Care Food Program – Continuity of Operations, Services, and Partnerships*
- 7. Alignment with Recommendations from the Master Plan for Early Learning and Care: Making California For All Kids (Master Plan)*
- 8. Budget/Fiscal Outlook*

*The Governor announced the appointment of Dr. Maria Guadalupe “Lupe” Jaime-Mileham as the Deputy Director of the newly formed Child Care and Development Division at CDSS on January 22, 2021. Dr. Jaime-Mileham previously served as Senior Director for Early Care and Education in the Office of the Fresno County Superintendent of Schools since 2014.*

*The following child care and development services and programs will transfer to CDSS:*

- California Alternative Payment Programs (CAPP)*
- California Migrant Alternative Payment Programs (CMAP)*
- Stages Two and Three of the California Work Opportunity and Responsibility to Kids (CalWORKs) Child Care Programs*
- General Child Care and Development Programs (CCTR)*
- California Migrant Child Care and Development Programs (CMIG)*
- Child Care and Development Services for Children with Severe Disabilities*
- The Child and Adult Care Food Program*
- Child Care and Development Facilities Capital Outlay*
- The Early Learning and Care Workforce Development Grants Program*
- The California Head Start State Collaboration Office*
- The Early Head Start-Child Care Partnerships (EHS-CCP) Grant from the United States Department of Health and Human Services*

- *Resource and Referral Agencies*
- *Local Child Care and Development Planning Councils*
- *The California Child Care Initiative Project*
- *Other Child Care Quality Improvement Projects*
- *The Child Development Management Information System and other related data systems as they pertain to the programs, services, and systems above.*

Administration of the federal Child Care and Development Fund (CCDF) will also transfer to DSS on July 1, 2021. The CCDF is an aggregate of several funding sources that is distributed in block grants by the federal government to the states and territories. The purpose of the CCDF is to increase the availability, affordability, and quality of child care services. States and territories receiving CCDF funds must prepare and submit to the federal government a plan detailing how these funds will be allocated and expended. DSS and CDE are working collaboratively to develop the next CCDF State Plan which is due to the federal government June 30, 2021, and will cover 2022-2024. The draft plan will be released for stakeholder input and will be submitted to the Legislature for review. The DSS has recently noted that the review process may take longer than anticipated and review timelines may need to be adjusted, however the plan will still be completed by the federal deadline.

The Transition Plan also details:

#### *Long-term Objectives*

- *Informed by extensive stakeholder input, CDSS and its partners are ensuring that the long-term programmatic and policy-driven goals and objectives of this transition build on*
- *the concept of an integrated child care and development system, as described above, with equity, justice, and a whole-child/whole-family approach at the center. Recommendations for system improvements set forth in the Master Plan and the California Assembly Blue Ribbon Commission on Early Childhood Education Final Report (BRC Report), the prior work of CDE, and additional planning efforts will also help to guide these objectives. While the immediate priority of the transition is to foster the continuity of services for children, families, and the workforce, the transition will also provide opportunities to create an integrated administration and system for child care and development services designed to more responsively meet the needs of children, their families, and their caregivers. These opportunities include, but are not limited to:*
- *Streamlining early childhood governance, administration, and eligibility requirements, reducing administrative burdens and barriers on the child care and development system's participants and workforce;*
- *Simplifying funding streams and systems to better meet family, children, and workforce needs;*
- *Integrating and using data to streamline and improve the experience of families and the workforce;*



- *Maximizing accessibility, particularly for families with the greatest needs;*
- *Providing families with information necessary to make informed choices;*
- *Further recognizing cultural competency as a feature of quality and aligning quality infrastructures with equity and anti-racist, outcome-driven standards;*
- *Creating a comprehensive data and governance infrastructure across departments that can inform policy and funding decisions with a focus on quality, equity, and a whole-child/whole-family approach to services;*
- *Using data to examine bias and the root causes of inequities along with the factors that create barriers for children and families;*
- *Exploring the development of shared services networks that support the child care and development workforce;*
- *Supporting the expansion of facilities in underserved communities to promote equitable access;*
- *Integrating child care and development services to provide timely and accurate information to parents and caregivers, to make it easier for programs to access and share information, as well as to coordinate services and identify gaps in resources; and*
- *Implementing timely, data-driven policies, practices, and resource allocation to support better outcomes for children and families of all races, ethnicities, incomes, spoken languages and communities.*

The Transition Plan details the ongoing personnel and funding shifts, as recommended in the January Budget:

### Ongoing Workforce Cost Estimates for Administering Child Care Programs

Based on the positions transferring and workload analysis to date, the annual cost of the staff transitioning from CDE to CDSS is outlined in the table below. Further analysis will be done in the first quarter of 2021 to determine the full cost of administering child care and development programs as described above.	<b>FY 2021-2022</b>
<b>Personnel Services</b>	
Total Positions – Permanent	185.7
Total Salaries and Wages	\$12,497,000
Total Benefits	\$6,534,000
Total Operating Expenses and Equipment	\$12,672,000
Total Budget for Transitioning Staff	\$31,703,000

Technology and data system transfers have been a key consideration and concern for the transition, particularly due to the quick nature of the transition, and the role of antiquated systems in contracts and funding. The Transition Plan notes:

*An initial exploration of the systems supporting the transitioning programs has shown that most are highly integrated with systems that must remain at CDE, creating an inability to transfer them to CDSS. These systems also support programs that will remain under CDE's administration after the transfer. As such, an initially considered "lift and shift" strategy is not feasible or desirable because this would have impacted CDE's capacity to administer its remaining programs. "Lift and shift" may also present a missed opportunity to modernize technology. The existing systems are nuanced, complex, and in some cases developed on legacy hardware/software that makes updating them costly and impractical. Further, CDE IT staff identified as transitioning to CDSS will need to remain at CDE for maintenance of systems in the interim until a long-term solution is established and implemented.*

The Plan also includes updates from the CDE on programs remaining at the agency, and policy considerations to increase program efficiencies:

*Issues that CDE will work with the Administration and Legislature as well as CSPP contractors and stakeholders to address during and after this transitional period include:*

- *Age definitions that do not allow for parental choice in enrolling TK-eligible children in CSPP.*
- *Statute that requires the State Superintendent of Public Instruction to encourage CSPP contractors to offer full-day services through a combination of part-day slots and wraparound services.*
  - *Many Local Education Agencies (LEAs) offer "full-day" services of up to six (6) hours a day for the school year, which may not meet families' needs. Clear and consistent definitions of part-day and full-day services are needed to allow for flexibility and to serve the needs of families.*
- *The need to better define Family Child Care Home Education Networks (FCCHEN) and how they operate under CSPP. CDE will work in partnership with CDSS and others stakeholders on these goals.*
- *Allowance for up to 24-month enrollment for eligible three-year-old children at initial certification in CSPP.*
- *Allowance for children in TK to also be served by CSPP for additional hours as necessary to meet the needs of families.*

*The following programs and funding will remain under CDE's leadership after the transition:*

- *California State Preschool Program (CSPP)*
- *Quality Counts California (QCC) CSPP Block Grant that provides Quality Rating and Improvement System (QRIS) Grants for CSPP*

- *The Inclusive Early Education Expansion Program (IEEEP)*
- *The American Indian Early Childhood Education Program (AIECE)*
- *After School Education and Safety (ASES) Program*
- *21st Century Community Learning After School Programs*
- *Transitional Kindergarten (TK)*
- *Special Education Services for Young Children with Disabilities (IDEA Part B and a portion of Part C)*

The Transition Plan does not include the \$12.6 million in Budget Change Proposals for the CDE associated with the transition, as included in the January Budget:

**Figure 3**  
**Governor Proposes Shifting Positions Across Six Divisions at CDE**

CDE Division	Positions Shifting From CDE to DSS	New Positions at CDE
Early Learning and Care	72.5	17.0
Nutrition Services	69.0	53.0
Fiscal and Administrative Services	18.0	6.0
Audits and Investigations	17.0	7.0
Technology Services	6.7	—
Legal	1.5	—
Indirect/Administrative	1.0	—
<b>Totals</b>	<b>185.7</b>	<b>83.0</b>

CDE = California Department of Education and DSS = Department of Social Services.

Source: LAO

**Governor’s Budget Proposal:**

The budget includes a transfer of \$31.7 million (\$900,000 General Fund) and 185.7 positions from CDE starting July 1, 2021, to support the transition of child care programs responsibilities, services, and systems from CDE to DSS. The corresponding local assistance shift reflects \$2.8 billion in current service levels. The Governor’s Budget also proposes to add \$12.598 million and 83 positions for CDE’s Early Learning and Nutrition services divisions.

**LAO Comments:**

**Funds and Positions Shifting Not Based on Workload Analysis.** The Governor’s proposed shift is almost entirely based on the fund source associated with these positions. For example, the Governor proposes moving all state operations positions funded with federal CCDBG funds that are set aside for state administration. This is consistent with the proposed shift of all local assistance CCDBG funding from CDE to DSS. Aligning local assistance and state operations

funding within the same department makes sense. However, the administration has not conducted a workload analysis to determine whether the funding and positions at DSS are in line with its new administrative responsibilities. As a result, it is uncertain whether the level of proposed resources is fully justified. Given the magnitude of the proposed backfill for CDE, it does appear that DSS would likely have more funding and positions under the Governor's proposal than required to address its new workload. Since there is no new workload across both departments, a cost neutral shift would be reasonable.

**Cost of Shift Higher Than Anticipated, Full Cost Unclear.** In his proposed 2020-21 budget last January, the Governor proposed providing \$10.4 million to create a new Department of Early Childhood Development and having child care programs administered under this department. As part of the May Revision for 2020-21, the proposal was modified to instead shift child care programs to DSS. The Administration indicated it was modifying the proposal due to cost concerns. The amount of funding requested in 2021-22 (\$13 million), however, now exceeds the cost of the initial proposal to create a separate department. Furthermore, the cost of the shift could grow in the future as the Administration is still determining the resources it needs. The Administration's draft transition plan released in early February 2021 states DSS is "continuing to assess the resources and staffing needed" to administer the new programs.

**Other Elements of Transition Also Lack Detail.** In addition to lacking key information about costs, the Administration also has not been able to answer several key questions regarding the administration of programs under DSS. For example, the plan is required to specify how the Administration plans to maintain existing provider flexibility to transfer funds across General Child Care and State Preschool contracts. This flexibility allows providers that have both of these contracts to effectively meet the enrollment needs of their communities. While the Administration indicates in its draft plan that it is "actively collaborating to develop processes to maintain these flexibilities," it has not disclosed any details to help the Legislature evaluate whether these new processes would be more or less burdensome for providers compared to current processes.

**Lack of Detail Potentially Due to Large Workload in the Current Year.** Based on our conversations with both CDE and DSS, planning for the shift of programs within the time line specified in statute has been a large administrative workload on existing staff at both departments. For example, both departments have been involved in key workload to administer child care programs, such as developing the state's Child Care and Development Fund Plan (a plan required by the federal government once every three years). In addition to the program shift, staff at both departments also have had higher-than-average workload as a result of the coronavirus disease 2019 (COVID-19) pandemic. The state has implemented a number of pandemic related policies, such as providing temporary child care slots, stipends, and reimbursement flexibility. (We describe these policies in more detail in the next section of this post.) Staff time has been split between these priorities (the transition and pandemic response). Moreover, the significant workload has likely made it difficult for staff to dedicate sufficient time to preparing for the transition.

**Given These Concerns, the Legislature May Want to Reconsider Continuing With Transition.** Although the Legislature approved shifting programs from CDE to DSS as part of the 2020-21 budget package, it may want to reconsider the shift given the various issues discussed above. The administrative costs associated with the shift are higher than anticipated and appear to result in administrative inefficiencies. Moreover, the Administration has yet to provide key details of several important elements of the transition. While the main rationale for the shift was to better integrate and coordinate programs, the Governor has not provided concrete examples to explain how this outcome will in fact be achieved. The LAO discusses the lack of specificity below.

- **Child Care Programs.** The Administration has not yet provided any specific examples of how the programs will be better integrated and coordinated at DSS. Rather, the Administration indicates it is in the process of engaging with stakeholders to identify options. The Administration also stated that under DSS, its implementation of child care programs will “build upon prior efforts,” such as leveraging data-driven decisions to determine allocation of child care funds. It is unclear how these efforts under DSS will result in greater benefits to children and families compared to CDE’s current efforts.
- **CACFP.** In addition to providing nutrition support to child care providers, CACFP supports adult day care, emergency shelters, and after school care. The Administration plans to “connect the existing CACFP with other nutrition and child care programs currently housed at DSS.” However, it is unclear why these connections cannot be made within the current structure with CDE administering the program. CDE and DSS have collaborated on nutrition issues, the most recent example being the pandemic response to provide increased Cal Fresh benefits to families impacted by school closings. If the Administration has specific concerns with how CDE is administering the program, more cost effective solutions likely exist to address these concerns.

Legislature Has Several Options on How to Proceed. In view of the concerns raised above, the Legislature has a range of options it could consider. Specifically, the Legislature could:

**Stop Transition.** The Legislature could decide transitioning child care and CACFP to DSS is no longer a priority. This would “free up” \$13 million in ongoing General Fund relative to the Governor’s budget proposal that would be available to support legislative priorities.

- **Delay Transition.** The Legislature could delay the transition. This would allow the Administration to focus its entire attention on the pandemic response and plan for the transition on a slower time line. We think delaying the transition until a year after the COVID-19 emergency declaration has ended would be a reasonable approach.
- **Modify Scope of the Transition.** The Legislature could reduce the number of programs shifting to DSS. If the Legislature takes this approach, the LAO recommends keeping CACFP at CDE. The Legislature could further minimize the scope of the transition by also

shifting certain child care programs to DSS, such as California Work Opportunity and Responsibility to Kids Child Care Stages 2 and 3.

**Key Issues for the Legislature to Consider if it Decides to Move Forward With the Transition.** If the Legislature does decide to move forward with the transition, the LAO has identified two issues that it will want to consider:

- **Revisiting State Preschool Oversight and Support.** The requested backfill of positions for CDE are intended to maintain the existing level of administration for State Preschool. Historically, the level of administration was based on federal and state requirements, as State Preschool was funded in part with CCDBG funding. Since 2019-20, however, State Preschool has been funded entirely from the state General Fund and no longer has to comply with federal CCDBG requirements. The state has an opportunity to revisit the state-level oversight and support providers receive. For example, instead of having staff conduct activities formerly required by federal law, the Legislature may instead want to redirect these positions to provide more programmatic support to providers. If the state does decide to revisit the level of support and oversight, staff levels should align with these oversight and support expectations.
- **Maintaining Legislative Oversight.** In order for the Legislature to maintain its oversight role, the LAO recommends modifying the proposed provisional language allowing the Administration to shift expenditure authority between CDE and DSS. If the Administration needs to make any budget revisions, the LAO recommends it notify the Joint Legislative Budget Committee prior to making any adjustments. The LAO further recommends amending the proposed budget bill so that funds are appropriated to child care in a similar structure as the 2020-21 budget act. Specifically, the LAO recommends that funding for each child care program be scheduled out in separate budget items instead of being consolidated together as proposed. This approach maximizes transparency and more effectively facilitates the ability of the Legislature to provide oversight of child care programs.

#### **STAFF COMMENTS & QUESTIONS**

#### **Staff Comments and Questions**

The ECE field and DSS leadership team remain confident that a full transfer of child care programs can be achieved in the near-term, without major disruptions to contractors, providers, and families. Based on the complexity of this endeavor, the stressors and time-intensive nature of pandemic-related investments and response, and the unresolved issues outlined in the DSS Transition Plan (including IT), the LAO raises key questions about DSS and CDE immediate-term needs to support a success transition. It is imperative at this juncture that the Administration

provide direct feedback on inter-agency needs to prevent any disruption to on-going and pandemic response services.

**Questions:**

- Can the Administration or Departments explain the rationale for transferring the proposed number of positions and federal funding to DSS if \$12 million worth of workload remains at CDE?
- Can the Administration explain the short-term scope for contracting of workload back to CDE?
- Can the Administration or CDE justify the increase for new positions at CDE if many of the administrative responsibilities will be shifted to DSS?
- What is the status of the 20 new FTE positions CDE received in 2019-20 for child care programs?
- Can the Administration provide details on how the \$2 million one-time funding provided to plan the transition has been expended up until this point?
- What work still needs to be done to finalize the assessment of resources and staffing needs? At what point will the Legislature have a full cost estimate of this transition?
- According to stakeholders, the child care contracting process begins in March, where are the Departments in transferring this responsibility?
- Given the significant additional workload related to the pandemic for all state agencies, but particularly for the DSS, is there a need to extend the timelines for the full transition of child care programs to DSS?
- Are there concerns that the technology and data systems transfer will delay a full Transition in the Budget Year?
- When will the Administration provide the trailer bill recommendations for the code transfers and regulatory authority needed for the Transition?

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**Staff Recommendation: Anticipate revisiting DSS transition after May Revise for policy and funding details necessary for Budget Year transition and services stability.**

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